Roll Call

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HEADLINE: Freshman Corzine Deserves Attention In Wake of Enron

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BODY:

Freshman Sen. Jon Corzine (D-N.J.) says he didn't come to Washington to be an investment banker, but as the former CEO of Goldman, Sachs, he's become a go-to guy on pension reform and corporate cleanup issues since the Enron debacle.

"I always knew I'd have views on macroeconomic issues," he said in an interview, but he really intended to work on universal health insurance, prescription drugs for seniors, long-term care and banning racial profiling.

He has taken action on some of that agenda, but the collapse of Enron Corp. has caused colleagues of both parties to seek him out on pension and accounting reform.

Even though he's practically at the bottom of the Senate seniority roster - and though he arrived known mainly for spending a record $63 million of his own fortune to get elected - he said he hopes his expertise on corporate finance issues will win him respect, and a hearing, on his other agenda items.

"I've moved from people being interested [in my views], but not really," he said, "to wanting to know what I have to say about accounting, oversight, regulation, the structure of balance sheets - all the fallout of Enron."

As a member of the Budget Committee, he'll have input on fiscal policy. He said the Bush tax cuts will inevitably have to be "revisited" in order to meet $7 trillion worth of unfunded liabilities facing the government over the next 75 years for Social Security, Medicare and Medicaid.

And while Corzine's not a member of the Finance Committee, he has opinions worth listening to on Social Security. He opposes privatizing individual accounts, but favors investing some government funds in selected index funds to increase yields and make the program more solvent.

On pension reform, he's co-sponsoring a bill with Sen. Barbara Boxer (D-Calif.) that would allow no more than 20 percent of employees' 401(k) retirement accounts to be invested in any one stock. It would also permit employees to trade stock in their own company 90 days after their accounts are vested.

At Enron, top executives sold their company stock, but rank-and-file employees were forced to hold onto it as its value disappeared.

The New Jersey Senator's pension proposal earned him the label "Comrade Corzine" from The Wall Street Journal editorial page, which derided him for depriving employees of free choice when his own $300 million fortune was based primarily on stock in Goldman, Sachs.

Corzine laughs at the moniker but erupts at the Journal's argument. "Their whole starting premise is misplaced and not reflective of what happened in my life," he said.

First, he explained, his stock was not part of any federally created and tax-deferred retirement plan. Moreover, he was required to keep the stock for three years after his company went public and began selling it when he could.

Corzine's bill is based on the historically sound premise that diversified retirement portfolios are safer than concentrated ones and on the notion that the government should foster safety when it is spending $330 billion over five years in tax preferences to support the 401(k) system.

The Corzine-Boxer bill is not likely to pass even the Democratic Senate, since Sen. Edward Kennedy (D-Mass.) is pushing an alternative method of encouraging diversification.

And Republicans and business groups are resisting any cap on single-stock ownership, making it likely that any pension reform this year will be limited to shortening ownership lock-ins.

"I'll just keep raising Cain about this for my whole career if I have to," he said.

As a member of the Banking Committee, Corzine is likely to have more immediate impact on accounting reforms designed to ensure that investors and the public have a clear picture of corporations' financial health.

He's about to introduce a bill with Sen. Chris Dodd (D-Conn.) to create a new independent agency to oversee corporate auditors and forbid accounting firms to both audit a company's books and also sell it management consulting services.

After spending 25 years on Wall Street - including five at the top of one of its premier investment firms - Corzine is convinced that Enron's problems are not endemic to U.S. business.

"I don't think that people were breaking the law," as Enron apparently was in hiding its financial condition, "but "I think aggressive management of earnings in corporate America is a reality and has gotten more excessive than is desirable."

The Senator quoted former Securities and Exchange Commission Chairman Arthur Levitt as saying that a "culture of gamesmanship" prevailed in corporate America and said, "There's some truth to that in that financial returns became more important than the underlying economics and provision of services."

The New Republic accused Corzine's old firm of aiding that trend by helping develop so-called monthly income preferred shares. Enron, among others, established these corporate funds that escaped taxes.

Corzine insists that MIPS were fully disclosed on company balance sheets, which he believes is the key to preventing future Enrons by guaranteeing the integrity of the accounting process.

The professional politicians who populate the Senate need a colleague who's not only met a payroll but knows where and how bodies are buried in American business. In Corzine, they've got one.

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